

2/8/78

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Peter Bourne to Pres. Carter, 7 pp., re: Social Security Numbers	2/7/78	C

FILE LOCATION

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THE PRESIDENT'S SCHEDULE

Wednesday - February 8, 1978

8:15 Dr. Zbigniew Brzezinski - The Oval Office.

8:45 Mr. Frank Moore - The Oval Office.

10:00 Announcement on the Administration's College
(5 min.) Tuition Legislative Proposal - Press Room.

10:30 Mr. Jody Powell - The Oval Office.

11:55 Ms. Marion Edey. (Mr. Hamilton Jordan).
(10 min.) The Oval Office.

12:15 Presentation of Presidential Proclamation
Naming February as American Heart Month to
Representatives of the American Heart
Association. (Dr. Peter Bourne).
The Oval Office.

12:30 Lunch with Mrs. Rosalynn Carter - Oval Office.

3:00 His Excellency Anwar al-Sadat, President of
(15 min.) of the Arab Republic of Egypt, and Mrs. Sadat.
The Diplomatic Reception Room.

7:30 Private Dinner - First Floor Family Dining Room.

0111

THE WHITE HOUSE
WASHINGTON

Mr. President:

The 45 minute time for this meeting has expired. President Sadat will be here in 15 minutes.

Frank recommends that you see Senator Jackson today. 4:00 is open; do you want to do it then?

☒ yes

☐ tomorrow

J

THE WHITE HOUSE
WASHINGTON

February 8, 1978

Jody Powell
Zbig Brzezinski

The attached was returned in the President's
outbox today and is forwarded to you for
appropriate handling.

Rick Hutcheson

cc: Barry Jagoda
Tim Kraft

RE: TV SPEECH ON DEMOCRACY

THE WHITE HOUSE
WASHINGTON

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI	
<input type="checkbox"/>	<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	<input type="checkbox"/>	COSTANZA
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<input type="checkbox"/>	<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	<input type="checkbox"/>	LIPSHUTZ
<input type="checkbox"/>	<input type="checkbox"/>	MOORE
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<input type="checkbox"/>	<input type="checkbox"/>	McINTYRE
<input type="checkbox"/>	<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
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<input type="checkbox"/>	CARP
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<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

THE WHITE HOUSE
WASHINGTON

2/8/'77

Mr. President:

The attached is your choice to make; it would be easy to schedule.

If you decide to do so--- some of the most eloquent comments I've ever heard you make were in an off-the-cuff address to Presidential Scholars last year in the EOBS --- about growth and development in a democracy.

I've attached those remarks.

TK

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

February 7, 1978

*Nice but not
necessary - in
not looking for
more projects
now
JC*

MEMORANDUM FOR THE PRESIDENT

FROM:

ZBIGNIEW BRZEZINSKI
JODY POWELL
BARRY JAGODA *B.J.*

SUBJECT:

TV Speech on Democracy

We have been having discussions with PBS and one of the British networks about a 20-country six-night series featuring 6 heads of state talking about "democracy." The series would air one week in May.

We think this is a good opportunity for you to speak again on this subject and for your remarks to be received in a suitable environment in many countries around the world.

The program would be broadcast in the United States at 7:30 pm as part of the McNeil/Lehrer program on PBS. Your speech would be 12-1/2 minutes and the remainder of the half-hour would be McNeil, Lehrer, and a "distinguished" commentator reflecting on your remarks. In a number of countries, Britain included, the entire program will consist of your remarks aired as a separate show after their prime-time news.

The speech can consist of anything that fits the topic of "democracy", and we would do the taping at the White House in April.

APPROVE _____

DISAPPROVE _____ ✓

#

~~THE~~ PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

February 8, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M./BR*
SUBJECT: SEN. HARRISON WILLIAMS (D-NJ)

Senator Williams will be calling you this afternoon about budget reductions for the VA hospital in Camden, New Jersey. Bob Thomson talked him out of insisting on a meeting with you on this subject. I have met with Congressman James Florio (D-NJ) and a large group of others on the same matter which is of strong interest to Members of the New Jersey delegation. I believe this issue may be "uncompromisable" with a nursing home (not hospital) going to Camden.

I recommend that you make no commitment to Senator Williams in talking with him.

Sen. Williams asked that you have this picture for reference during the call.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FEB 3 1978

MEMORANDUM FOR: FRANK MOORE
Congressional Liaison

FROM: Suzanne H. Woolsey *Shue*

SUBJECT: Factors Affecting the Decision on the
Camden VA Hospital

The decision to cancel the Camden Hospital was based upon the following facts:

- ° The Camden facility was lowest in priority of the eight hospitals originally planned in 1976, and was the only one to be a new, not replacement, hospital. Building new hospitals contradicts the cost-containment effort which is a major priority of this Administration.
- ° The Camden Hospital would be expensive: \$75.3 million to construct; \$10.1 million to start up (equipment, etc.); and \$29.8 million annually to operate.
- ° The Camden Hospital would require 1,459 new VA employees, an increase which is contrary to the President's efforts to reduce Federal employment.
- ° The most recent data show that utilization of the Philadelphia VA hospital is largely by non-service disabled veterans; at least 81 percent of inpatient care is non-service-disabled as shown in the latest VA census. Thus, sufficient capacity exists within the Philadelphia hospital to care for the top-priority service-disabled veterans.
- ° Data on the non-VA hospital beds available in the Camden/Philadelphia area show that adequate beds exist. Camden County and the Philadelphia area exceed the 4 beds per 1,000 population ratio recently published by HEW as the health planning standard.

The decision to build an outpatient facility at Camden and 120 nursing home beds at VAH Philadelphia was based upon the following facts:

- ° The delivery of quality care is the prime concern.
- ° A long-term need does exist for additional out-patient and nursing home capability in the Philadelphia-South New Jersey area.
- ° It is VA and Administration policy to locate VA nursing home beds immediately adjacent to VA hospitals in order to ensure quality acute care when required. Operating costs for acute care are considerably lower in a VA facility than if contracted out to other hospitals. For this reason it is proposed to locate the nursing home beds at the Philadelphia VA hospital.
- ° A large outpatient clinic in Camden will accommodate 99,000 outpatient visits, provide easier initial access to VA for New Jersey veterans and relieve the heavy outpatient load at Philadelphia.
- ° The 100,000 square foot clinic will meet veteran needs more economically than a new hospital, and will cost \$12.2 million to construct, \$2.5 million to start up, and \$5.2 million to operate annually. It will require 175 new VA employees.
- ° The clinic could be built on the site planned for the hospital, a location which should allow an affiliation with the nearby medical school. This site was to be donated to VA.
- ° A nursing home of 120 beds can be built at the site of the existing Philadelphia VA hospital without acquiring additional land.

- VAH Philadelphia is only 5 miles from the Camden site, and has both bus and rapid rail as well as highway transportation connections available.
- The nursing home will cost \$14.4 million to construct, only \$.5 million to start up, and \$2.5 million annually to operate. It will employ 114 new personnel.
- The construction of outpatient clinics and nursing homes takes less time than hospitals. In the Camden/Philadelphia case, the new proposal will allow the facilities to open at least one year earlier than the hospital would have. Thus, improved care can be provided to veterans sooner.
- The parking facility and surface parking spaces proposed for Philadelphia will augment the very limited space now available, and will allow improved access to the Philadelphia complex. No new land will be acquired at the Philadelphia site for this parking.

651

THE WHITE HOUSE
WASHINGTON

February 8, 1978

Bill Cable

The attached was returned in the President's
outbox and is forwarded to you for your
information.

Rick Hutcheson

RE: TIP O'NEILL ROAST AND PRESIDENT'S
PRESENCE

THE WHITE HOUSE
WASHINGTON

February 8, 1978

Thanks -
C
/

Mr. President

Your participation in last night's roast of the Speaker was clearly the high point of the evening. In my conversations with Members of Congress you are usually referred to as "your President" and last night you were clearly "their President."

The DSG membership has been consistently supportive, and your performance last night was a reward they will long remember.

Bill

Bill Cable

THE WHITE HOUSE
WASHINGTON

2-8-78

Ham -

I think we need
a search for the
Nuclear Regulatory
Agency member.

Comment

J

657

THE WHITE HOUSE
WASHINGTON

February 8, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: SENS. STONE AND CHILES -
PANAMA CANAL

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
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	LOG IN/TO PRESIDENT TODAY
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ACTION	FYI	
		MONDALE
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	<input checked="" type="checkbox"/>	MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

	ARAGON
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	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
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	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN
THE PRICE COMPANY, INC.

Jmes. Carter

ED H. PRICE, JR.
PRESIDENT

SUITE 417, P. O. BOX 9270
ELLIS 1ST NATIONAL BANK
BRADENTON, FLA. 33506

January 31, 1978

*cc: Frank
J*

Charles H. Kirbo, Esq.
King and Spalding
Attorneys at Law
2500 Trust Company of Georgia Building
36 Edgewood Avenue Northeast
Atlanta, Georgia 30303

Dear Charles:

The President's willingness to personally discuss the treaties with Senator Stone made the difference. Thank you for passing on the request for help.

Has Senator Lawton Chiles had the same opportunity for a personal visit? _____

Lawton's wife, Rhea, is living here in Manatee County this year as they have a youngster in a special school.

I enjoy a warm, personal relationship with Lawton and his family. Let me know if help is needed.

With warm best wishes, I am

Sincerely,

Ed

Ed H. Price, Jr.

am

enc

THE WHITE HOUSE
WASHINGTON

2-8-78

Ch. p.

Marion Edey may
call you. She's
great. Help her -

J

655

THE WHITE HOUSE
WASHINGTON

February 8, 1978

Hamilton Jordan

The attached was returned in the President's
outbox and is forwarded to you for appropriate
handling.

Rick Hutcheson

RE: TRAVIS JOHNSON

11:40 AM

THIS TRANSMISSION HAS BEEN

THE WHITE HOUSE
WASHINGTON

February 9, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: HAMILTON JORDAN *HJ.*
SUBJECT: Appointment with Travis Johnson
11:40 A.M., OVAL OFFICE
Wednesday, February 8, 1978

*Ham -
He's ok. Notify
him & Proceed -
J*

I sent you a memorandum on January 27th recommending two candidates for the vacancy on the CAB, and you indicated you would like to interview Travis Johnson.

Johnson is an attorney from El Paso who is a leader in the Texas business community. As a member of the Board of Directors of a State bank, a bank holding company, and a company owning a local newspaper, Mr. Johnson knows the potential impact of a regulatory agency upon a corporation; as a member and former Chairman of the Public Service Board of the City of El Paso, he has had to exercise the rate-making authority and other regulatory powers invested in this Board.

All who know Mr. Johnson consider him to be a first-rate lawyer with excellent judgment. Bob Strauss particularly recommends him, as does John White.

We have arranged for Mr. Johnson to meet with Alfred Kahn, Chairman of CAB, to discuss Mr. Johnson's philosophical approach to regulatory reform and other related matters.

The purpose of this meeting is for you to form your own first-hand judgment of his fitness for membership on the CAB.

THE WHITE HOUSE
WASHINGTON

February 8, 1978

The Vice President
Stu Eizenstat
Hamilton Jordan
Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hatcheson

RE: NATURAL GAS MEETING WITH SEN.
JACKSON

ADMINISTRATIVELY CONFIDENTIAL

Admiring
Carp

THE WHITE HOUSE
WASHINGTON

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<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN



Department of Energy
Washington, D.C. 20585

February 8, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM SCHLESINGER

SUBJECT: NATURAL GAS MEETING WITH SENATOR JACKSON

The Republican members of the Senate Energy Committee (with the exception of Senator Weicker) and Senators Johnston and Ford made a counteroffer to Senator Jackson this morning which we estimate between now and 1985 will cost consumers approximately \$35 billion more than the House-passed gas bill. This compares to a \$9 billion cost for Senator Jackson's most recent proposal, and a \$70 billion estimate for the Senate Bill.

Senator Jackson met with his group of five Democrats and publicly announced that this offer was higher than what he had anticipated, and was unacceptable. Privately he has indicated to me that he is now waiting for the more moderate members of the deregulation coalition (Domenici, Hatfield, Johnston, Ford) to come to him with a more acceptable proposal.

Johnston has indicated to me an unwillingness to take the lead in putting such a bottom-line together unless I am involved acting as a broker, thereby guaranteeing that the result will receive your support. Senator Jackson has expressed some reservations over any such Presidential or Secretarial involvement as to any specific proposal because of the potential for embarrassment if the effort fails.

Such an effort, however, offers us the greatest probability of success. I believe Senators Domenici and Johnston are ready to agree to a more moderate position if they believe that you will support that position and that it will result in a bill. Senators Ford and Hatfield will follow their lead. Acting as the intermediary, I can help supply that assurance.

Therefore, a purpose the meeting can serve is moderately to urge Senator Jackson to work with me and Senators Johnston and Domenici to develop such a bottomline position for both sides while suggesting that the small amount of additional flexibility that will be required on his part is in his interest and the national interest.

Senator Jackson's most recent proposal contains the following major provisions:

- o A new gas price starting at \$1.84 escalating at 3% per year plus inflation.
- o Defining new gas as new reservoirs or new fields for on-shore, and new reservoirs for off-shore.
- o Authority to allocate intrastate gas to the interstate market.
- o A stripper well (less than 60 mcf/day) price of \$2.09 escalating at 3% per year plus inflation.
- o No rollback of existing intrastate contracts which are above the new gas price.
- o Expiring intrastate contracts below \$1.00 may rise to \$1.00.
- o New gas prices are deregulated after January 1, 1984, but the President may reimpose controls subject to Congressional disapproval.

The cost of this proposal is \$9 billion above the cost of the House bill, but is below the revised estimates of the cost of continuing under current law (about \$15 billion).

We believe that a final settlement would require the following changes:

- o A higher rate of escalation, perhaps 4% or 4 1/2%.
- o A somewhat broader definition that would encourage the drilling of previously uneconomic fields.
- o Limitation of allocation authority to emergencies.

Such changes could bring the final bill in at or under the \$15 billion cost of no action, with all the advantages of establishing 7 more years of certain regulation and a common inter-intrastate price.

Based on the foregoing, I have attached suggested talking points for the meeting.

Talking Points

- Listen to Scoop's progress report concerning where things currently stand
- Suggest that the problem appears to be one of finding a mechanism to break-off Domenici, Johnston, Hatfield and Ford from the others.
- That it appears to you there are only a few changes that would be needed in Scoop's current proposal to reach that goal - changes that measured against the massive costs of the Senate Bill are very small in terms of their consumer impact.
- That you are willing to help in any way you can to bring the parties together - and that working with Secretary Schlesinger and Senators Johnston and Domenici may be a way of reaching a reasonable resolution by providing those Senators the assurances they need to reach a more moderate agreement.
- If necessary, I could provide you with an aircraft to take you to China if a little more time is needed to reach an agreement and maintain the momentum.

DEPARTURE OF PRESIDENT & MRS. EL-SADAT
FEBRUARY 8, 1978

1

IT HAS BEEN A GREAT PERSONAL PLEASURE FOR ROSALYNN AND ME
TO HAVE PRESIDENT SADAT AND HIS WIFE JIHAN AS GUESTS IN OUR
COUNTRY FOR THE PAST SEVERAL DAYS.

MY TALKS WITH PRESIDENT SADAT HAVE HELPED ME TO UNDERSTAND
HIS CONCERNS AT THIS IMPORTANT MOMENT IN THE PEACE PROCESS.

WE BOTH SHARE A ^{DETERMINATION TO REACH} DEEP COMMITMENT TO PEACE IN THE MIDDLE EAST
AND WE HAVE AGREED TO WORK CLOSELY TOGETHER TOWARD THAT GOAL.

2

I EXPLAINED TO PRESIDENT SADAT THE DEEP COMMITMENT OF THE
UNITED STATES TO THE SECURITY OF ISRAEL, AND I KNOW THAT HE
UNDERSTANDS THIS ASPECT OF OUR POLICY.

WE ALSO DISCUSSED AT LENGTH THE NEED TO CONTINUE THE
NEGOTIATING PROCESS TO ACHIEVE A JUST AND LASTING COMPREHENSIVE
PEACE IN THE AREA.

IN HELPING THE PARTIES TO FIND SOLUTIONS TO THE PROBLEMS
THAT SEPARATE THEM, THE UNITED STATES WILL BE GUIDED BY THE NEED TO
BASE A SETTLEMENT ON ALL OF THE PRINCIPLES OF UN RESOLUTION 242
ON ALL THE FRONTS.

WE ALSO BELIEVE THAT A JUST SOLUTION TO THE PALESTINIAN
PROBLEM IS ESSENTIAL.

PRESIDENT SADAT AND I HAVE AGREED TO STAY IN CLOSE TOUCH
IN THE WEEKS AHEAD AS WE CONTINUE THE SEARCH FOR A PEACEFUL
RESOLUTION OF THE MIDDLE EAST CONFLICT.

AS WE CONTINUE DOWN THAT PATH, WE RECOGNIZE THAT THE WAY
IS DIFFICULT. BUT WE TAKE INSPIRATION FROM A VISION OF THE
GOAL THAT WE SEEK, AND A RECOGNITION OF THE STAKES INVOLVED.

THERE IS NO NOBLER CALLING ON THIS EARTH THAN THE
SEEKING OF PEACE; IT IS FOR THAT REASON THAT THE BIBLE SAYS
THAT THE PEACEMAKERS SHALL BE CALLED SONS OF GOD.

I AM HONORED TO BE ASSOCIATED WITH PRESIDENT SADAT IN
SUCH A WORTHY ENDEAVOR.

#

IF WE SUCCEED IN THIS ENDEAVOR, THERE WILL BE PEACE FOR AN
AREA THAT FOR TOO LONG HAS KNOWN WAR -- PROSPERITY FOR PEOPLE
WHOSE WEALTH HAS BEEN FOR TOO LONG ALLOCATED TO WEAPONS --
WATER, FERTILIZER AND BOUNTIFUL HARVESTS IN FIELDS NOW KEPT
BARREN BY MAN AND NATURE -- CHILDREN WHOSE FUTURE IS DOMINATED
BY LIFE AND HOPE RATHER THAN CONFLICT, FEAR AND DEATH.

THE PRESIDENT HAS SEEN,

11:55 AM

THE WHITE HOUSE
WASHINGTON

February 7, 1978

C

MEMORANDUM FOR PRESIDENT CARTER

FROM: HAMILTON JORDAN *H.J.*
SUBJECT: Appointment with Marion Edey
11:55 a.m., The Oval Office
Wednesday, February 8

As you are aware, after a long struggle Marion Edey decided to withdraw her name for nomination as a member of the Council on Environmental Quality. Marion handled the announcement and subsequent newstories very well and was generous in her remarks about your support of her and your environmental policies.

Jim Gammill has talked with Marion about her interest in boards or commission in the environmental area and she has tentatively identified some area she might wish to pursue at a later date. For the present, however, she plans to return to the League of Conservation Voters and work on environmental matters.

It is recommended you thank her for her work this past year with CEQ and indicate you will be calling on her in the future. You might also suggest she stay in close touch with Charles Warren and the CEQ.

600
THE WHITE HOUSE
WASHINGTON

February 8, 1978

Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. Sec. Bergland has been provided with a copy of his memo.

Rick Hutcheson

cc: The Vice President
Frank Moore
Jim McIntyre
Charles Schultze

FARM POLICY

THE WHITE HOUSE
WASHINGTON

February 8, 1978

Secretary Bergland

The attached was returned
in the President's outbox
and is forwarded to you
for appropriate handling.

Rick Hutcheson

FARM PROGRAM MATTERS'

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
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	IMMEDIATE TURNAROUND

cc Bergland of his memo only

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		JORDAN
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	/	MOORE
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	ENROLLED BILL
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	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

2/7/78

Mr. President:

Congressional Liaison comments that it is vital that the Administration do something to head off legislation that would undoubtedly be unacceptable.

Rick

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

February 6, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT
LYNN DAFT

SUBJECT:

Farm Policy

In the attached memorandum, Secretary Bergland asks for your decision on three farm policy issues.

The issues are described in the Secretary's memorandum. We have discussed the proposals with OMB and CEA and would make the following recommendations:

- (1) 10 percent feed grain set-aside for 1978 with feed grain loan levels remaining unchanged from 1977.

OMB, CEA and DPS concur in this recommendation, which would make final the tentative decisions you made last November. Market conditions have changed very little since the conditional set-aside was announced in November. Politically, a decision not to have a feed grain set-aside would be very unpopular.

DECISION

☒ Approve (USDA, OMB, CEA, DPS)

☐ Disapprove

- (2) Increase the annual storage payment for grain placed in the grain reserve from 20 cents to 25 cents.

OMB, CEA, and DPS concur in this recommendation too. It would cost \$21 million in additional payment outlays in FY 1978 and \$50 million on a full year basis. There is some danger we will fall short of our 30 to 35 million metric ton reserve target if the conditions of participation are not made more attractive. We believe attainment of this target is sufficiently important to merit this action.

DECISION

☒ Approve (USDA, OMB, CEA, DPS) JC

☐ Disapprove

- (3) Increase the loan level for soybeans from \$3.50 a bushel to \$4.50 for the 1978 crop.

OMB, CEA and DPS recommend that you defer making this decision until the economic and budget effects have been more fully assessed by the Food and Agriculture Policy Working Group. We recommend this course of action for several reasons:

-- Many soybean producers are opposed to a loan level this high.

-- The 1979 budget assumes a support level of \$4.00. OMB estimates that raising the 1978 level to \$4.50 would increase FY 1979 budget outlays by at least \$100 million.

-- An increase of \$1.00 in the loan level is inconsistent in appearance, if not in fact, with our current efforts to hold down inflation.

-- While an increase in the loan level might be appropriate, it is not clear it should be of this magnitude. Neither is there complete agreement that the soybean/corn price relationship should be 2.25.

DECISION

☐ Approve (USDA)

☒ Defer (OMB, CEA, DPS) J



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

February 4, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Farm Program Matters

This memorandum addresses three farm program matters that need immediate attention.

1978 Feed Grain Set-Aside Program

A final decision on the set-aside program for 1978 crops of corn, sorghum and barley, and the loan prices for these crops, is needed.

The case for a 10 percent set-aside program is stronger now than it was last November, when the conditional decision was announced, both on economic and political grounds.

Early this week I was not fully convinced that having a feed grain set-aside program in 1978 was the right decision. Now I am.

Discussions with leaders of the farm organizations and groups, several members of Congress, and a review of the latest supply-demand-price estimates for the grains, soybeans and cotton convinced me that we must have a feed grain set-aside program. By the beginning of the 1978 season our wheat, feed grain, soybean and cotton stocks will be at or above target levels, and we will have our grain reserves. Far too many acres will be planted to soybeans and feed grain in 1978 in the absence of a set-aside program. Farmers would react negatively to a no set-aside decision.

In fact, farmer unrest and the economic outlook for agriculture indicate that we may have to provide greater incentives or assurances, but it will take more time to come to a final conclusion on this.

I recommend we announce that there will be a 10 percent feed grain set-aside program for 1978, and that there be no changes in feed grain loan prices from 1977 to 1978.

Agree ✓ Disagree

Grain Reserve Storage Payment

We are making progress in establishing our grain reserves. But there is a problem that is frequently called to my attention. The annual storage payment we make, at 20 cents a bushel for the major grains, is below the commercial rate. This continues to be a hindrance in explaining the program, and may prevent the attainment of our goals.

The minimum amount that is charged by commercial houses for storing grain for a year is 24-26 cents a bushel. Some charge as much as 36 cents a year. I do not want to pay more than a competitive rate, but the reserve is so very essential to our food and farm policies that I do not want to run the risk of missing the target just because we were 5 cents a bushel too low on the storage payment.

I recommend we announce a 5 cent a bushel increase in the annual storage payment for grain placed in the grain reserve, effective immediately. This will add about \$21 million to storage payment outlays in fiscal year 1978, and would add \$50 million on a full year basis.

Agree ☒

Disagree ☐

Soybean Loan Price for 1978

The soybean loan price for the 1977 crop is \$3.50 a bushel. The market price is near \$5.50 a bushel, and so are the distant futures.

The 1977 crop was record high, and well in excess of market requirements. The January planting intentions report indicates another 8 percent increase in plantings for 1978, which would lead to another increase in stocks, and lower farm prices. The loan program will become much more important to soybean producers, as a source of capital and as a hedge against disaster prices.

The relationship between the corn and soybean loan prices is of greater importance when market prices are near the loan prices. The rule of thumb is that the soybean/corn price ratio should be about 2.25 to prevent acreage shifts to or away from corn. The loan price for corn is \$2.00 a bushel, and to have the proper relationship, the soybean loan price should be \$4.50 a bushel.

Increasing the loan price for soybeans will increase fiscal year 1979 loan outlays when the loan is made, but the loan will be repaid later and then there will be a receipt. I recommend that we announce the 1978-crop soybean loan price of \$4.50 a bushel.

Agree ☐

Disagree ☒

I would appreciate being able to announce these actions prior to leaving on my trip Monday afternoon. The impact will be positive.



BOB BERGLAND
Secretary



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FEB 4 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre *pmc (by rec)*
SUBJECT: Grain Price Support Proposals

Secretary Bergland has proposed taking three actions concerning the grain price support programs.

1. Establish a 10% acreage set aside for feed grains
 - OMB concurs.
 - The situation has not changed appreciably since the tentative decision of about two months ago.
2. Increase from 20 cents to 25 cents the annual storage rate paid to producers who place grain in the farmer held reserve
 - This action is likely to increase budget outlays by \$21 million in FY 1978 and by \$50 million in FY 1979 and 1980.
 - Although USDA has made no analysis available as to the effectiveness of the proposal or alternative actions, some action appears necessary to assure success of the reserve.
 - OMB, therefore, concurs.
3. Announce a 1978 crop soybean loan level of \$4.50 per bushel
 - OMB recommends deferring a decision until the USDA has determined and made available the economic and budget impacts of the proposal.
 - The current level of support for the 1977 crop is \$3.50.
 - The 1979 budget assumes a support level of \$4.00 for both the 1977 crop and the 1978 crop.
 - Raising the 1978 level to \$4.50 would increase FY 1979 budget outlays by at least \$100 million above the estimate submitted to the Congress two weeks ago.

- The FY 1979 budget impact could be substantially greater
 - Some U.S. soybean producers have already expressed concern that a level higher than \$4.00 could hurt U.S. producers.
 - Soybeans compete with other crops for land (e.g., cotton). An increase in the loan level may result in additional soybean plantings and lower market prices.
 - U.S. soybeans compete in world markets with foreign-produced soybeans and other oilseed crops. The higher level of support may spur the production of these competing crops - if not this year, then in the near future.

We understand that USDA is considering other actions to assist farmers. Our concern is that such actions will be proposed piecemeal and without the appropriate analytical work.

We strongly urge that the Department be instructed to

1. evaluate several alternative actions to assist farmers;
2. perform the appropriate analytical work for each alternative, including identification of the budget impacts; and,
3. submit a proposed strategy to the Executive Office for review and as a basis for Congressional consultation.

The Administration must respond to the current pressures in a well thought-out, overall manner. The political and budgetary consequences of an incremental response are likely to be enormous.

ID: 780600

T H E W H I T E H O U S E

WASHINGTON

DATE: 07 FEB 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT

FRANK MOORE

JODY POWELL

JACK WATSON

SUBJECT: EIZENSTAT MEMO RE FARM POLICY

[illegible]

ACTION REQUESTED: INFORMATION ONLY

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

2/7/78

Farm Policy

It's vital that the Administration do something to head off legislation that would undoubtedly be unacceptable.

(DANT)

2/8/78
10:00 AM

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

February 7, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
BERT CARP

SUBJECT: Statement On Student Assistance

Attached is a statement which has been reviewed by Jim Fallows' staff. It is an abbreviated version of a much longer and more detailed statement prepared by HEW. Given the nature of your projected statement tomorrow, it seemed to us that Secretary Califano should go into all of the details. Your statement is generally for TV consumption.

I have provided a brief fact sheet with additional details.

Frank Moore has arranged for the Congressmen and Senators to be present.

Moore

FACT SHEET

The \$1.21 billion increase in student assistance for middle-income students is in addition to a \$250 million increase in student assistance programs, focused on lower-income students, already in the budget. With the new proposal, the federal student assistance budget will increase from \$3.8 billion in FY 1978 to \$5.2 billion in FY 1979, and the number of students helped will increase from 3 million to 5 million.

Details of the new initiative are as follows:

- o \$990 million to provide ^{*tuition grants*} ~~Basic Educational Opportunity Grants (based on family income and the cost of college attendance)~~ to students from families with incomes up to \$25,000.
- o \$70 million to expand eligibility for ~~interest-subsidized~~ Guaranteed Student Loans for families in the \$16,000-\$45,000 income range.
- o \$150 million to ~~expand the College Work-Study Program, which provides~~ part-time jobs to college students.

*Type on
Cards*

Today the cost of sending a son or daughter to college is an increasingly serious burden on America's lower and middle-income families. From 1967 to 1976, average college costs went up 77 percent. This year, the average bill for tuition, room and board at a private college is more than \$4,800. And at a typical public university, a student must now pay \$2,500 per year for education-related costs.

Increasingly, middle-income families -- not just lower-income families -- are being stretched to their financial limits by these costs.

No one should be denied the opportunity to go to college for financial reasons alone, and our nation has long recognized an obligation to help lower-income families in this area. Now we must increasingly take steps to help middle-income families as well.

That is why I am today proposing a ^{1.46}~~\$1.2~~ billion increase in the assistance the Federal government provides to help meet these growing costs, bringing our total student assistance budget to \$5.2 billion in FY 1979. We are proposing additional scholarship grants, more part-time jobs for students, and more loans -- primarily focused on students from moderate and middle-income families.

We estimate that more than 5 million college students nationwide will receive financial assistance from the Federal government in Fiscal 1979, an increase of at least 2 million students over last year.

The coordinated program that I am proposing -- using grants, work-study and loans -- will provide more real help than a tax credit and is a far more equitable and efficient way to help middle-income families with college expenses.

Tuition tax credits would provide benefits to those who do not need them, and almost certainly would cost more than the more carefully targeted measures that we are proposing today.

Congress must choose between tuition tax credits and the far more beneficial increases in Federal student assistance programs I am requesting. This nation cannot afford -- and I will not accept -- both.

Secretary Califano and I have worked closely with Congressional leaders in developing this program. Senator Williams, Senator Pell, and Representatives Perkins, Ford, Brademas and Thompson have cooperated fully with us. They support the proposal and will help move it through the Congress.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

February 8, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M.R.*

For your information, Congressman Ben Rosenthal (D-NY) is distributing the transcript of the Barbara Walters-Lou Harris interview on the floor of the House.

THE WHITE HOUSE
WASHINGTON

2-7-78

To V.P. Mondale

Please go over in
some detail with Ham,
Jim, Stu & others the
EEO reorganization proposal.

I like it, but we
need to avoid the serious
political pit falls.

Thanks,

Jimmy

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

February 8, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

Bob Lipshutz *BL*

SUBJECT:

Your Dinner this Evening with the
Vice President and Nine Leading
Members of the American Jewish
Community

The following persons will be present this evening at
this dinner:

1. Phil Klutznick, Chicago -- President of the World Jewish Congress and a successful businessman who also has been very much involved in numerous Jewish organizations over an extended period of years.
2. Ed Sanders, Los Angeles -- Attorney who is a past President of APIAC (the official lobbying organization for the State of Israel); he resigned from this lay leadership position during the campaign and, as you are aware, has worked closely with us during the campaign and throughout your Administration.
3. Max Greenberg, Los Angeles -- Attorney who is the No. 2 lay leader of the Anti-Defamation League of B'nai B'rith; the President is Burton Joseph of Minneapolis, who is out of the country. Among other things, Max Greenberg was a key person in working out the Arab boycott legislation and regulations.
4. Alex Schindler, New York -- Chairman of the "President's Conference of Jewish Organizations" and President of the Union of American Hebrew Congregations (reform Jewish synagogues).
5. Richard Maas, New York -- Lay President of American Jewish Committee, an organization which generally has been quite supportive of the Administration in a number of matters.

6. Frank Lautenberg, New Jersey -- Businessman and lay President of the United Jewish Appeal. During the campaign he rode in the automobile with you and had a private discussion for about one hour.

7. Ted Mann, Philadelphia -- Attorney and lay President of the Jewish organization charged with the responsibility of coordinating public relations activities of most of the Jewish organizations in the country (NACRAC).

8. Arnold Picker, Miami -- Retired businessman, philanthropist, and a person active in Democratic Party affairs over a number of years. He is a good friend of the Vice President.

9. David Blumberg, Arlington, Virginia -- National President of B'nai B'rith and husband of the widow of Atlanta Rabbi Jacob Rothschild, Janice.

At some time during the evening, please let Ed Sanders and Phil Klutznick know if you wish them to make any statements to the press. As you are aware, they have been actively quite supportive of most Administration policies, including our efforts in the Middle East peace negotiations.

We anticipate that Rabbi Schindler will speak with the press, as he has on past occasions. In my judgement, it would not be desirable to have him the only person in the group who responds to press inquiries and we can be certain that there will be such inquiries.

THE WHITE HOUSE
WASHINGTON

Re. One of your guests,
David Blumberg,
I wish to remind you
of this recent correspondence.

=

Phil Plutznick will be
about 45 minutes late
in arriving.

BoF

THE WHITE HOUSE
WASHINGTON

January 12, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STUART EIZENSTAT *SE*

SUBJECT:

Letter from David M. Blumberg

Attached is a very warm and supportive letter personally given to me for submission to you from the President of B'nai B'rith, David Blumberg, which is quite supportive of your Middle East efforts.

He is hopeful for a simple acknowledgement and will then be glad to publish his letter and yours in response. He indicated that if our press office wished to publish both, that would be satisfactory. B'nai B'rith is having a national meeting in Washington this weekend and he is hopeful of being able to have your response by that time.

During the course of our conversation, he indicated that he felt the majority of the Jewish population in the United States -- but probably not the vocal leadership -- would be willing to accept Jordanian control of the West Bank if there were some security protections for Israel, and, likewise, he stated that he felt the majority of the Jewish community was somewhat disappointed by Begin's offer.

cc: Zbig Brzezinski
EB Hamilton Jordan
Bob Lipshutz
Jody Powell
Mark Siegel

B'NAI B'RITH

1640 RHODE ISLAND AVENUE, NORTHWEST, WASHINGTON, D.C. 20036 • (202) 393-5234

January 10, 1978

D. M. SLUMBERG
President

The President
The White House
Washington, D. C.

Dear Mr. President:

B'nai B'rith is much encouraged by the momentous turn of Middle East events.

We believe the efforts of your Administration during the past year have been, on balance, a positive influence in helping to stimulate the movements toward peace negotiations.

Inevitably, the initiatives of President Sadat and Prime Minister Begin -- the anticipation these have evoked -- have led to widespread public analyses and debate of the Administration's postures and actions in the developing events. Within the American Jewish community, and elsewhere, there has been, in the past, concern over Administration expressions of policy that could be interpreted as equivocal and inconsistent with our Nation's long-standing Middle East objectives.

But these concerns need to be measured against several overriding realities reflective of your Administration. These are:

First, the consistency of your own fundamental commitment to a secure and sovereign Israel and to peace and stability for all peoples of the Middle East.

Second, the continuing, indeed strengthened, position of the United States as a credible and respected third-party in the current explorations for peace between Egypt and Israel.

It is therefore my perspective that, overall, your efforts have enhanced the prospects for peace which, while far from certain, appear brighter than at any time in the past generation.

The President
The White House

January 10, 1978

- 2 -

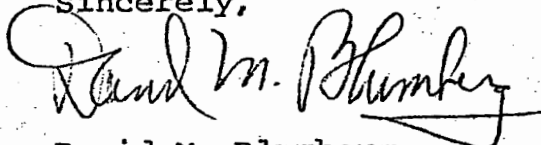
Clearly the complexities compounded by thirty years of hostility still persist. The negotiations between Israel and Egypt will be arduous, the problems difficult and sensitive. It is in these circumstances that the good offices of the United States -- as friend to both parties -- can be persuasive in ways which do not negate but serve to encourage the process of direct negotiations toward a just and durable solution.

In the past, Mr. President, you have enunciated as conditions for a Middle East settlement a need for the Arab states to accept fully the reality of Israel, to end their economic boycotts against Israel and to further open frontiers; and, on Israel's part, to restore territories for the Palestinians, such areas preferably linked politically to Jordan, but in any event under political conditions that would be without threat to the future security of Israel.

These principles -- if my reading of events is not faulty -- are implied in the forthcoming negotiations between Israel and Egypt. In that respect, Mr. President, your efforts toward that end are to be commended.

We now respectfully urge that the Administration, in its assistance to the direct negotiations, sustain these principles by seeking their realization in such counsel as the United States is called upon to offer.

Sincerely,

A handwritten signature in dark ink, appearing to read "David M. Blumberg". The signature is fluid and cursive, with a long horizontal stroke at the end.

David M. Blumberg

THE WHITE HOUSE

WASHINGTON

To David M. Blumberg

I wish to express my appreciation to you and to B'nai B'rith for your letter of January 10, expressing support for the efforts now in progress to reach a true and permanent peace in the Middle East.

Each of us has a great degree of responsibility to do everything within our power to assist the people and leaders of the Middle East nations in every appropriate manner to reach this long-desired goal.

Your observations and advice are greatly appreciated.

Rosalynn joins me in sending our warmest personal regards to you and Janice.

Sincerely,

Mr. David M. Blumberg
President
B'nai B'rith
1640 Rhode Island Avenue, N.W.
Washington, D. C. 20036

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

February 8, 1978

Not done
J

MEMORANDUM FOR:

THE PRESIDENT

FROM:

BUNNY MITCHELL *B.*

The Administration's 1978 agenda will be reviewed for senior-level appointees who are Black, in the Family Theater from 3:30-5:30 p.m. today.

Presentations will be made by Stu, C. Schultz, J. McIntyre, and Z. Brzezinski. The Vice President will speak at 4:00 p.m. Unfortunately, Andy and Pat who were scheduled to make remarks, are unable to attend.

The purpose of the meeting is two-fold:

- (1) To present a comprehensive overview of the Administration's goals and priorities for the year,
- (2) to build comradarie and to foster a greater understanding of and identification with Administration initiatives.

Blacks represent about 10% of top-level appointments (81 of 842). Sixty persons are expected this afternoon, many of whom have never seen you personally. If you would drop-by and say hello after bidding President Sadat farewell, productivity would be enhanced 100 fold!

Included in the group will be:

Cliff Alexander, Secretary of the Army
Mat Holden, Energy Regulatory Commission
Terry Todman, State Department
Bill Allison, Community Services Administration
Eleanor Norton, Equal Employment Opportunity Commission
Ed Norton, Department of Housing & Urban Development
Drew Days, Department of Justice

Mr. President
attached, FYI
only - if you want
to drop in, if you
go home at that time -
you are not expected -
TK

- PHIL KLUTZNICK - CHICAGO - WJC
- ED SANDERS - L.A.
- MAX GREENBERG - L.A. - ADL
- ALEX SCHINDLER - N.Y. -
- RICHARD MAAS - N.Y. - AJCom
- FRANK LAUTENBERG - N.J. - UJA
- TED MANN - PHILLY - P.R.
- ARNOLD PICKER - MIAMI - VP
- DAVID BLUMBERG - ARLINGTON (JANICE)

Private dinner

2/8/78

telephone call

THE WHITE HOUSE
WASHINGTON

2-8-78

Nelson Rockefeller

Schweiker - not committed

Sea level - Econ - Defense > 2000

Starr's testimony - a problem

Need implementing legis

Stevens - 40% for Alaska -

Inc costs for Alaska -

Sotto project could solve
problem for him

Ch E Mid E - Talked
to Sadat

meeting with sadat prior to departure
2/8/78

THE WHITE HOUSE
WASHINGTON

2-8-78
Mtg w Sadat - departure

Giscard ltr for me

Need for consultation before acts

Need Egypt response to Begin (W82)

Atherton → Jordan, SA ?

Airplanes → Egypt

Strategy, timing next 2 months

THE WHITE HOUSE
WASHINGTON

RECEIVED BY WASH DC

charles free--

7 see attached

thanks -- susan clough

If possible, can you recall who gave you
the following books...and if they were presented
to you during appointments, etc. (Information is
needed for record/file.)

"Morning Yet On Creation Day",
inscribed by Priscilla Tyler

?

✓ "Ethiopian Journeys" by Paul Henze,
inscribed

✓ on MSC staff

during meeting

"The Siberian Challenge" by Alfred Max,
inscribed by Andrew Young

Given to me
by Andy (at
Cabinet mtg?)

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

Feb. 8, '78

Susan--

Jan has sent me the three books you sent to her for storage in Archives. Can you supply me with details on these for computer, i.e., addresses of donors, circumstances of receipt, type of donor, acknowledgements?, etc.

1. "Morning Yet On Creation Day", inscribed by Priscilla Tyler.
2. "Ethiopian Journeys" by Paul Henze, inscribed.
3. "The Siberian Challenge" by Alfred Max, inscribed by Andrew Young (the Ambassador?)

Thanks.

Charles Free Cx

COLLEGE TUITION LEGISLATIVE PROPOSAL
ANNOUNCEMENT

1
FEBRUARY 8, 1978

TODAY THE COST OF SENDING A SON OR DAUGHTER TO COLLEGE
IS AN INCREASINGLY SERIOUS BURDEN ON AMERICA'S LOWER AND
MIDDLE-INCOME FAMILIES.

FROM 1967 TO 1976, AVERAGE COLLEGE COSTS WENT UP 77 PERCENT.

2
THIS YEAR, THE AVERAGE BILL FOR TUITION, ROOM AND BOARD
AT A PRIVATE COLLEGE IS MORE THAN \$4,800.

AND AT A TYPICAL PUBLIC UNIVERSITY, A STUDENT MUST NOW PAY
\$2,500 PER YEAR FOR EDUCATION-RELATED COSTS.

INCREASINGLY, MIDDLE-INCOME FAMILIES -- NOT JUST LOWER-INCOME
FAMILIES -- ARE BEING STRETCHED TO THEIR FINANCIAL LIMITS BY THESE
COSTS.

NO ONE SHOULD BE DENIED THE OPPORTUNITY TO GO TO COLLEGE FOR
FINANCIAL REASONS ALONE, AND OUR NATION HAS LONG RECOGNIZED AN
OBLIGATION TO HELP LOWER-INCOME FAMILIES IN THIS AREA.

NOW WE MUST INCREASINGLY TAKE STEPS TO HELP MIDDLE-INCOME
FAMILIES AS WELL.

THIS IS WHY I AM TODAY PROPOSING A \$1.46 BILLION INCREASE
IN THE ASSISTANCE THE FEDERAL GOVERNMENT PROVIDES TO HELP MEET
THESE GROWING COSTS, BRINGING OUR TOTAL STUDENT ASSISTANCE
BUDGET TO \$5.2 BILLION IN FY 1979.

WE ARE PROPOSING ADDITIONAL SCHOLARSHIP GRANTS, MORE PART-TIME
JOBS FOR STUDENTS, AND MORE LOANS -- PRIMARILY FOCUSED ON STUDENTS
FROM MODERATE AND MIDDLE-INCOME FAMILIES.

FACT SHEET

4A

-- \$990 MILLION TO PROVIDE TUITION GRANTS TO STUDENTS
FROM FAMILIES WITH INCOMES UP TO \$25,000.

-- \$70 MILLION TO EXPAND ELIGIBILITY FOR GUARANTEED LOANS
FOR FAMILIES IN THE \$16,000 - \$45,000 INCOME RANGE.

-- \$150 MILLION TO PROVIDE PART-TIME JOBS TO COLLEGE STUDENTS.

5

WE ESTIMATE THAT MORE THAN 5 MILLION COLLEGE STUDENTS
NATIONWIDE WILL RECEIVE FINANCIAL ASSISTANCE FROM THE FEDERAL
GOVERNMENT IN FISCAL 1979 -- AN INCREASE OF AT LEAST 2 MILLION
STUDENTS OVER LAST YEAR.

THE COORDINATED PROGRAM THAT I AM PROPOSING -- USING
GRANTS, WORK-STUDY AND LOANS -- WILL PROVIDE MORE REAL HELP THAN
A TAX CREDIT AND IS A FAR MORE EQUITABLE AND EFFICIENT WAY TO
HELP MIDDLE-INCOME FAMILIES WITH COLLEGE EXPENSES.

TUITION TAX CREDITS WOULD PROVIDE BENEFITS TO THOSE WHO DO NOT
NEED THEM, AND ALMOST CERTAINLY WOULD COST MORE THAN THE MORE
CAREFULLY TARGETED MEASURES THAT WE ARE PROPOSING TODAY.

CONGRESS MUST CHOOSE BETWEEN TUITION TAX CREDITS AND THE
FAR MORE BENEFICIAL INCREASES IN FEDERAL STUDENT ASSISTANCE PROGRAMS
I AM REQUESTING.

THIS NATION CANNOT AFFORD -- AND I WILL NOT ACCEPT -- BOTH.

SECRETARY CALIFANO AND I HAVE WORKED CLOSELY WITH
CONGRESSIONAL LEADERS IN DEVELOPING THIS PROGRAM.

SENATOR WILLIAMS, SENATOR PELL, AND REPRESENTATIVES PERKINS, *PIAGGI*,
FORD, BRADENAS AND THOMPSON HAVE COOPERATED FULLY WITH US.

THEY SUPPORT THE PROPOSAL AND WILL HELP MOVE IT THROUGH
THE CONGRESS.

#

CALIFANO - ?'s

639

THE WHITE HOUSE
WASHINGTON
February 8, 1978

Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Tim Kraft
Fran Voorde

RE: PANAMA TREATIES - STATUS
MEETING WITH SENS. BURDICK,
DECONCINI, MELCHER AND
ZORINSKY - THURS.
SENC. MCINTYRE AND HEINZ
ON FRIDAY

THE WHITE HOUSE
WASHINGTON

ACTION
FYI

<input type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	COSTANZA
<input type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	LIPSHUTZ
<input checked="" type="checkbox"/>	MOORE
<input type="checkbox"/>	POWELL
<input type="checkbox"/>	WATSON
<input type="checkbox"/>	McINTYRE
<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	GAMMILL

<input checked="" type="checkbox"/>	KRAFT
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input checked="" type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

THE WHITE HOUSE

WASHINGTON

February 7, 1978

Frank J

MEMORANDUM TO THE PRESIDENT

FROM: FRANK MOORE
BOB BECKEL *BB*
BOB THOMSON *Bob*

RE: PANAMA TREATIES - STATUS

The Senate will take up the Neutrality Treaty Wednesday at noon. For the first time in 54 years, the Senate will formally move into a Committee of the Whole for the consideration of a Treaty. For noncontroversial treaties, that stage is usually omitted by unanimous consent.

Senator Allen and Senator Byrd have requested that the Vice President preside for purposes of ruling on parliamentary inquiries. Tomorrow afternoon is likely to be taken up with debate on these procedural points.

The Vice President has the 17 points Allen will raise and has cleared responses to the points with Byrd.

Bill Smith, the Vice President's AA, has arranged room for an Administration task force just off the Senate floor. State and Defense Department experts will be there to answer questions and provide drafting assistance.

We are responding to the economic questions as follows:

1. A Vance-Brown letter will go to the Hill tomorrow with answers to the 15 most commonly asked questions.
2. All further questions on the economic issues will be referred to Ambler Moss of State who will coordinate the Administration response.
3. On Thursday, the full text and a summary of the Arthur Anderson report on future canal economics will be transmitted to the Senate.

We recommend you meet with Senators Burdick, DeConcini, Melcher and Zorinsky on Thursday, and Senators McIntyre and Heinz on Friday. Wednesday is premature, since there are negotiations or briefings still going on with each of these Senators.

ok
J

Senator Dole is scheduled for AM America Wednesday morning to talk about the Treaties. He may bring up Torrijos' alleged drug connections. DEA confirmed to Dole today that leaked documents in the Senators possession were classified documents from its files and offered to brief the Senator fully on the matter.

The Intelligence Committee is preparing a report to the Senate on the same subject. The report will be sanitized, but should be helpful in laying many accusations to rest.

THE PRESIDENT HAS SEEN

CONFIDENTIAL

Not for Circulation

THE WHITE HOUSE

WASHINGTON

February 8, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT
BILL JOHNSTON

SUBJECT:

Admiral Rickover's Views on
Navy Shipbuilding Claims

My staff and I have discussed the issue of Navy shipbuilding claims extensively with Admiral Rickover (at his request). The Admiral feels very strongly about this issue. While we are not well enough informed to assess his arguments in detail, some of the points he raises seem to be well taken. The main points he asked us to relay to you are:

- The integrity of Defense contracting will be significantly affected by the way in which we settle outstanding claims. We cannot afford to settle these claims on anything but the toughest legal criteria, or we will encourage contractors to continue to present us with inflated claims in hopes of garnering partial settlements beyond those called for in their contracts. He points out that these are sophisticated companies who entered willingly into these contracts. If the companies are allowed to continually renegotiate cost over-runs on their contracts, the purpose and the discipline of the bid and fixed price contract system will be undermined.
- Some influential Congressmen have urged us to settle these lingering back claims quickly. In Rickover's view this would be unwise. These claims began to be filed over a decade ago, when less than \$100 million was involved. Despite settlements by DOD totaling about \$1.3 billion over the last ten years, the current total of outstanding claims has reached \$2.7 billion, with more claims apparently waiting to be filed. The government has come to be viewed as a "soft touch" as a result of previous "quick settlements". Each settlement has only encouraged more filings. We must not be afraid to take some of these claims to court.

DECLASSIFIED
E.O. 12356, SEC. 1.4(b)
WHITE HOUSE GUIDELINES, FEB. 24, 1983
BY [Signature] MAR. DATE 4/18/90

- The Admiral believes that many of these claims are so inflated as to be fraudulent. Yet in order to defend against the claims the Navy spends literally thousands of man hours tracking down the circumstances surrounding old contracts and fighting legal battles. "I'm supposed to be thinking about the future of the Navy and they've got me researching history" he summarized it. The remedy, in his view, is to forward the fraud charges currently before the Navy to the Justice Department for investigation and appropriate action to discourage unjustified filings.
- In Rickover's view, the fear that the shipbuilders will refuse to do further business with the Navy if the Government is too tough with them is unjustified. At worst, the Navy could buy the ship yards and hire private companies to operate them on a fee-for-service basis.

The Admiral's key recommendations are:

1. If possible avoid personal Presidential involvement in this issue, either directly or through the appointment of a special Presidential commission.
2. Encourage the Defense Department to limit claim settlements strictly to those required by law, except where the national defense requires extra-contractual relief.
3. Encourage the Department of Justice to fully investigate and pursue any possible fraud in the filing of these claims.
4. Encourage the Defense Department to develop and fully implement procedures for discouraging submissions of inflated claims.

Attached are two memos from the Admiral.

Navy Shipbuilding Claims

Background.

1. The Navy has shipbuilding claims from its three major builders, Litton, Newport News (Tenneco) and Electric Boat (General Dynamics) which total \$2.5 billion in requested ceiling price increases. More claims are expected.
2. In their claims, the shipbuilders blame their large cost overruns on Navy actions and Navy procurement policies. They contend that they are entitled to contract price adjustments which would cover their costs and in some cases make their contracts profitable. The claims ignore shipbuilder responsible items which have increased costs.
3. The Navy agrees it owes these shipbuilders some additional money, but nothing like the sums being claimed. For example, the last Newport News claim the Navy settled was for 29 percent of the face value of the claim and the company still made a good profit.
4. Admiral Rickover has been more explicit. He has testified that:
 - a. The Navy is being harrassed by exaggerated claims which blame the Navy for many items that are the shipbuilder's responsibility.
 - b. Shipbuilders and their parent conglomerates use these claims to harrass the Navy into settling the claims for more than they are worth.
 - c. Shipbuilding claims are based on how much the shipbuilder wants to recover, not what he is legally owed; that these claims are further inflated so that the claim can be settled for a percentage of the claimed amount and still yield the desired amount.
 - d. Corporate officials ignore inefficiency in the shipyards and concern themselves primarily with financial matters.
 - e. Settling claims independent of their merits will encourage the submission of exaggerated claims and will undermine important principles of Government contracting.
 - f. Based on specific reports he and others have made, the Newport News and Electric Boat claims should be investigated by the Department of Justice for possible violation of federal fraud and false claims statutes.

g. Over the last ten years several law firms have built up expertise in submitting claims against the Government. One is headed by a former Navy General Counsel and one is headed by a former Chairman of the Armed Services Board of Contract Appeals. If these law firms are successful in breaking down the Government contracting process through the shipbuilding claims, all Government contracts will be threatened.

5. In their reports to stockholders, shipbuilders book anticipated claim recoveries as income. Unless the shipbuilders are offered as much or more to settle a claim than they have already booked, it is to their advantage to prolong the dispute through litigation or other means. In that way they keep alive hopes for a more favorable settlement, postpone the reporting of losses to their stockholders, and buy time in which to generate offsetting profits. Thus, short of paying whatever the shipbuilders want, it is unlikely that even the President could settle these claims quickly.

6. Testimony by senior Navy officials during Joint Economic Committee hearings in December, 1977 implies that the Navy might try to settle the shipbuilding claims independent of their legal merits. However, "paying off" the shipbuilders would encourage inefficiency; invite future claims; undermine Government contracts; and result in excessive costs.

7. The previous Administration tried to settle all outstanding claims by granting extra-contractual relief under PL 85-804. This plan had to be aborted when Litton and Newport News upped their demands. Navy and Defense officials were criticized in Congress for proposing to settle the claims without first determining how much the Government legitimately owed.

8. With time, the projected overruns on these shipbuilding contracts have grown and the claims have increased accordingly. Thus, if in prior years these claims had been paid at full face value, both Litton and General Dynamics would still be in a substantial loss position today.

9. Each new group of senior Defense officials assigns someone to "settle the shipbuilding claims problem." But to date these efforts have failed for various reasons. Therefore it would be wise not to raise public expectations that the President will resolve the claims quickly. Every quick solution has far-reaching side effects.

10. Recommendations:

1. Keep the Navy and the Department of Defense responsible for Navy shipbuilding claims.

2. Avoid setting deadlines for resolving claims. These deadlines put pressure on the Navy and DOD to settle on contractor terms.

3. Emphasize the importance of evaluating and settling claims on their legal merits.

4. Provide extra-contractual relief only where necessary for the continued survival of a company essential to national defense. Even then, the Defense Department should first establish the worth of the claim so that the amount of extra-contractual relief is known to the Congress and to the public.

5. Require the Department of Defense to establish tighter procedures to discourage the submission of exaggerated claims.

6. Request that the Department of Justice establish a special task force to investigate reports of possibly industry-wide violations of federal statutes in connection with the submission of shipbuilding claims. Violators should be prosecuted to deter unfounded claims in the future.

7. Require that any proposed resolution of the shipbuilding claims provide a permanent solution and one that will not leave the shipbuilder in a position to use threats of work stoppage or refusal to take future work as leverage to obtain future claim settlements in excess of their legitimate worth.

Points to be brought out in discussion with Navy officials regarding shipbuilding claims.

1. The outstanding shipbuilding claims far exceed what the Government legally owes.
2. The claims require excessive amounts of Navy effort and management attention that would not be required if shipbuilders confined their claims to legitimate items.
3. Through claims shipbuilders are trying to make their contracts profitable notwithstanding their own mistakes.
4. Shipbuilders have already booked income against the claims. They want to avoid or postpone the substantial writeoffs which would result from settlements based strictly on the merits of the claims.
5. Senator Jackson's Permanent Investigations Subcommittee of the Senate Government Affairs Committee is investigating the fraud aspects of Navy shipbuilding claims. Congressman Stratton's Investigations Subcommittee of the House Armed Services Committee is also investigating the claims, but apparently waiting for the Navy to take action first.
6. Admiral Rickover and others have identified items of possible fraud in connection with the shipbuilding claims. Why hasn't the Navy referred them to the Department of Justice for investigation?
7. Does the Navy intend in any way to dispose of claims without first determining the amounts legitimately owed?
8. What is the Navy doing to stop the submission of exaggerated claims?
9. Three major corporations are involved in the shipbuilding claims--Litton, Tenneco, and General Dynamics. Is the survivability of any of these corporations threatened by their shipbuilding claims?
10. The Navy seems to have been buffaloed by shipbuilders who threaten to stop work or refuse future business as a bargaining tool in contract disputes. What action is the Navy taking to get itself out of this position for the future?

11. Has the Navy taken steps with the Securities and Exchange Commission to discourage the inclusion of overly optimistic estimates of claim recoveries in shipbuilder financial statements?

12. If the shipbuilder's leverage is its control of the shipbuilding facilities, why shouldn't the Navy consider buying the shipyards and have a contractor operate them as Admiral Rickover has suggested?

THE WHITE HOUSE
WASHINGTON

2/8/78 2:00 p.m. meeting
re shipbuilding claims

692

Ed Hidalgo

THE WHITE HOUSE
WASHINGTON

A. D. S.
Bryant

Criteria:

- a) Significant losses
- b) Evaluation by analysis of claims
- c) Total settlement
- d) Avoid future claims
- e) Good business
- f) Must sell to Congress

Hidalgo: \$2.356 B. + in future

- a) litigation?
- b) Govt ownership - contractor runs
- c) Termination for default
- d) Settlement - Will know 3-4 mos.

Fraudulent claim - 2X payment
NCSB - not qual to assess claims
- a negotiating entity

Lyfhen - Tenreco - Can Dyn.

THE WHITE HOUSE
WASHINGTON
2-8-78
mly

Integrity of Defense Contracting

Settle on tough legal basis

> Companies voluntarily contracted

Why not take to court?

> Total outststanding claims now?

> Fraud cases to surface? ^{the} claims

> Don't let shipbuilders bluff us - ^{DoD}

> President stay out of it - responsible

> Limit settlements to legal requirements

> Procedures to discourage inflated claims

Do not set deadlines

> Claims obviously excessive - fraud?

> SEE evidence profit claims

> Status of Navy Claims Settlement Bd

Prepare complete public report

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY (TENNECO)

SHIPBUILDING CONTRACTS WITH CLAIMS OUTSTANDING

*No way
for extra during
relief*

*Claims booked
at \$200 M*

SSN 688 (Awarded: 1970. Delivered.)

Current Maximum Contract Value: \$ 112.5M
Estimated Cost at Completion
> (100% Complete): 124.7M
Ceiling Price of Claim: 78.5M
(Filed: 1975)

SSN 688 I (689, 691, 693, 695) (Awarded: 1971.
Delivery: SSN 689, 691 delivered; SSN 693,
695 completion estimated in 1978.)

Current Maximum Contract Value: \$ 334.8M
Estimated Cost at Completion
> (87.4% Complete): 362.7M
Ceiling Price of Claim: 191.6M
(Filed: 1975)

CVN 68-69 (Awarded: 1970. Delivered.)

Current Maximum Contract Value: \$ 980.6M
Cost at Completion
> (100% Complete): 955.9M
Ceiling Price of Claim: 221.3M
(Filed: 1976)

CGN 38-40 (Awarded 1970. Delivery: CGN 38-39 delivered;
CGN-40 completion in 1978.)

Current Maximum Contract Value: \$ 376.7M
Estimated Cost at Completion
> (93% Complete): 407.4M
Ceiling Price of Claim: 159.8M
(Filed: 1975)

SSN 686-687 (Awarded 1969. Delivered.)

Current Maximum Contract Value: \$ 109.0M
Cost at Completion
> (100% Complete): 142.9M
Ceiling Price of Claim: 90.4M
(Filed: 1976)

*NCSB figure
less than \$200 M*

INGALLS SHIPBUILDING DIVISION (LITTON)

SHIPBUILDING CONTRACTS WITH CLAIMS OUTSTANDING

LHA (1-5) (Awarded: 1969. Delivery: LHA 1-2 delivered;
completion estimated in 1980.)

Current Maximum Contract Value:	\$ 1001.4M
Estimated Cost at Completion (92% Complete):	1455.6M
Ceiling Price of Claim:	1076.2M *
(Filed: 1973, quantified 1977)	

*Order
9 → 5 ships*

*\$ 550 mil net of losses
\$ 1.070 B*

DD 963 \$370m X impact for LHA claim

* Includes \$373M for cross-contractual impact on DD-963 contract.

ELECTRIC BOAT DIVISION (GENERAL DYNAMICS)
SHIPBUILDING CONTRACTS WITH CLAIMS OUTSTANDING

del. 3/78 7
SSN 688 I (690, 692, 694, 696-699) (Awarded: 1971.
Delivery: *)

Current Maximum Contract Value: \$638.7M
Estimated Cost At Completion
(85% Complete): 898.9M *
Ceiling Price of Claim: 121.3M
(Filed: 1976)

N.B. A request for equitable adjustment filed in February 1975 was settled on 7 April 1976 for \$97M out of a ceiling price claim of \$232M. This settlement released claims for all events on this contract occurring prior to 20 May 1975. The present claim is for events after 19 May 1975 and prior to 1 November 1976.

//
SSN 688 II (SSN 700-710) (Awarded: 1973. Delivery: *)

Current Maximum Contract Value: \$1189.3M
Estimated Cost at Completion
(26% Complete): 1471.8M *
Ceiling Price of Claim: 422.6M
(Filed: 1976)

N.B. The claim settlement of 7 April 1976 did not include claims on this contract. The present claim is for events prior to 1 November 1976.

*1 1/2 yr Navy delay
12 -> 27000 employees*

*11 m man hrs actual
5 1/2 m. 1 m hour navy
46 m EB*

* All EB cost and delivery figures will be revised based on results of new shipyard management review expected in February 1978.

*Est lost
\$800 mil?
loss: 55-60 mil/ship
544m 11/76*